



State of North Carolina Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

July 2, 2001

MEMORANDUM NO PR2001-013

TO: All Agencies Served by the State Controller's Office
Payroll Section

FROM: Roger Farmer
Payroll Administrator

SUBJECT: New Federal Tax Withholding Tables

Effective for wages paid after June 30, 2001 there is a new FEDERAL TAX WITHHOLDING TABLE. The tax table change is a result of the Economic Growth and Tax Relief Act of 2001. Our Federal Tax Program has been modified to use the new information. Copies of the newly revised tax tables are attached.

Please note the following items:

1. The Social Security Withholding Tables remain unchanged.
2. The Advance Earned Income Credit Tables remain unchanged.
3. The SUPPLEMENTAL TAX WITHHOLDING PERCENTAGE is 28%. This percentage will remain at 28% through August 6, 2001. Effective for wages paid after August 6, 2001, the SUPPLEMENTAL TAX WITHHOLDING RATE will be reduced to **27.5%**.
4. The NC TAX WITHHOLDING TABLES remain unchanged.
5. A copy of **A Notice to Employees** has been provided. This notice should be copied and given to each employee.

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Raleigh, NC

EFFECTIVE JULY 1, 2001

FEDERAL PERCENTAGE METHOD

FEDERAL: Deduct: Retirement, Health Insurance and any *Deferred Items.
(Amount for each allowance claimed \$241.67)

MONTHLY Payroll Period

SINGLE person (including head of household)-

If the amount of wages

(after subtracting
withholding allowances) is:

The amount of income tax
to withhold is:

Not over \$221 . . . \$0

Over	- But not over-	of excess over-
\$221	- \$2,392 . . . 15%	-\$221
\$2,392	- \$5,183 . . . \$325.65 plus 27%	-\$2,392
\$5,183	- \$11,533 . . . \$1,079.22 plus 30%	-\$5,183
\$11,533	- \$24,917 . . . \$2,984.22 plus 35%	-\$11,533
\$24,917	. . . . . \$7,668.62 plus 38.6%	-\$24,917

MARRIED person-

If the amount of wages

(after subtracting
withholding allowances) is:

The amount of income tax
to withhold is:

Not over \$538 . . . \$0

Over	- But not over-	of excess over-
\$538	- \$4,158 . . . 15%	-\$538
\$4,158	- \$8,767 . . . \$543.00 plus 27%	-\$4,158
\$8,767	- \$14,267 . . . \$1,787.43 plus 30%	-\$8,767
\$14,267	- \$25,171 . . . \$3,437.43 plus 35%	-\$14,267
\$25,171	. . . . . \$7,253.83 plus 38.6%	-\$25,171

STATE PERCENTAGE METHOD

STATE: Deduct: Retirement, Health Insurance and any *Deferred Items.

MONTHLY Payroll Period

SINGLE PERSON

If monthly income is less than \$5,000.00, use \$208.33 for each allowance claimed. If \$5,000.00 or more, use \$166.67.

If the wage in excess of
allowance amount is:

The income tax to be
withheld shall be:

Over	But not over	Of such	From
-0-	\$ 250.00 . .	-0-	Product
\$ 250.00	\$ 1,312.50 . .	6% less	\$15.00
\$1,312.50	\$5,250.00 . .	7% less	\$28.13
\$5,250.00	. . . . .	7.75% less	\$67.51

HEAD OF HOUSEHOLD

If monthly income is less than \$6,666.67, use \$208.33 for each allowance claimed. If \$6,666.67 or more, use \$166.67.

If the wage in excess of
allowance amount is:

The income tax to be
withheld shall be:

Over	But not over	Of such	From
-0-	\$ 366.67 . . .	-0-	wage Product
\$ 366.67	\$1,783.33 . . .	6% less	\$22.00
\$1,783.33	\$7,033.33 . . .	7% less	\$39.83
\$7,033.33	. . . . .	7.75% less	\$92.58

MARRIED OR QUALIFYING WIDOW(ER)

If monthly income is less than \$4,166.67, use \$208.33 for each allowance claimed. If \$4,166.67 or more, use \$166.67.

If the wage in excess of
allowance amount is:

The income tax to be
withheld shall be:

Over	But not over	Of such	From
-0-	\$ 208.33 . .	-0-	wage Product
\$ 208.33	\$1,093.75 . .	6% less	\$12.50
\$1,093.75	\$4,375.00 . .	7% less	\$23.43
\$4,375.00	. . . . .	7.75% less	\$56.24

SOCIAL SECURITY

SOCIAL SECURITY: Deduct: Health Insurance, 094, 098, 445, 446, 447, 448, 449 and 450 deduction codes.

OASDI	\$80,400.00	6.2%
HI	No Ceiling	1.45%
MQFE	No Ceiling	1.45%

RETIREMENT

6 % OF THE GROSS AMOUNT

EARNED INCOME CREDIT

EIC: Deduct: Retirement and Health Insurance.

MONTHLY Payroll Period

EIC = 2 FOR FULL CREDIT

EIC = 1 FOR HALF

CREDIT

**SINGLE or MARRIED Without Spouse Filing
Certificate**

If the amount
of wages (before
deducting withholding
allowances) is:

The amount of payment
to be made is:

Over-	But not over-	
\$0	\$595	20.40% of wages
\$595	\$1,090	\$121
\$1,090	. . . . .	\$121 less 9.588% of wages in excess of \$1,090

MARRIED With Both Spouses Filing Certificate

If the amount
of wages (before
deducting withholding
allowances) is:

The amount of payment
to be made is:

Over-	But not over-	
\$0	\$297	20.40% of wages
\$297	\$545	\$61
\$545	. . . . .	\$61 less 9.588% of wages in excess of \$545

***DEFERRED ITEMS:** 001, 002, 003, 004, 094, 098, 200, 225, 249, 400 - 443, 445, 446, 447, 448, 449,
450 and 455 - 473.

****Codes 400 - 443 and 455 - 473 are Health Insurance Deduction Codes.**

How To Use the Income Tax Withholding Payment Tables

Income Tax Withholding

There are several ways to figure income tax withholding. The following methods of withholding are based on information you get from your employees on **Form W-4**, Employee's Withholding Allowance Certificate.

Wage Bracket Method

Under the wage bracket method, find the proper table (on pages 5-24) for your payroll period and the employee's marital status as shown on his or her Form W-4. Then, based on the number of withholding allowances claimed on the Form W-4 and the amount of wages, find the amount of tax to withhold. If your employee is claiming more than 10 withholding allowances, see below.

Note: If you cannot use the wage bracket tables because wages exceed the amount shown in the last bracket of the table, use the percentage method of withholding described below. Be sure to reduce wages by the amount of total withholding allowances in Table 1 before using the percentage method tables (pages 3-4).

Adjusting wage bracket withholding for employees claiming more than 10 withholding allowances. The wage bracket tables can be used if an employee claims up to 10 allowances. More than 10 allowances may be claimed because of the special withholding allowance, additional allowances for deductions and credits, and the system itself.

To adapt the tables to more than 10 allowances:

- 1) Multiply the number of withholding allowances over 10 by the allowance value for the payroll period. (The allowance values are in **Table 1, Percentage Method—2001 Amount for One Withholding Allowance** below.)
- 2) Subtract the result from the employee's wages.
- 3) On this amount, find and withhold the tax in the column for 10 allowances.

This is a voluntary method. If you use the wage bracket tables, you may continue to withhold the amount in the "10" column when your employee has more than 10 allowances, using the method above. You can also use any other method described below.

Percentage Method

If you do not want to use the wage bracket tables on pages 5 through 24 to figure how much income tax to withhold, you can use a percentage computation based on Table 1 and the appropriate rate table. This method works for any number of withholding allowances the employee claims and any amount of wages.

Use these steps to figure the income tax to withhold under the percentage method:

- 1) Multiply one withholding allowance for your payroll period (see **Table 1** below) by the number of allowances the employee claims.
- 2) Subtract that amount from the employee's wages.
- 3) Determine the amount to withhold from the appropriate table on pages 3 and 4.

Table 1. Percentage Method—2001 Amount for One Withholding Allowance

Payroll Period	One Withholding Allowance
Weekly	\$55.77
Biweekly	111.54
Semimonthly	120.83
Monthly	241.67
Quarterly	725.00
Semiannually	1,450.00
Annually	2,900.00
Daily or miscellaneous (each day of the payroll period)	11.15

Example: An unmarried employee is paid \$600 weekly. This employee has in effect a Form W-4 claiming two withholding allowances. Using the percentage method, figure the income tax to withhold as follows:

1. Total wage payment	\$600.00
2. One allowance	\$55.77
3. Allowances claimed on Form W-4	<u>2</u>
4. Multiply line 2 by line 3	<u>\$111.54</u>
5. Amount subject to withholding (subtract line 4 from line 1)	488.46
6. Tax to be withheld on \$488.46 from Table 1—single person, page 3	<u>\$65.62</u>

To figure the income tax to withhold, you may reduce the last digit of the wages to zero, or figure the wages to the nearest dollar.

Alternative Methods of Income Tax Withholding

Rather than the Percentage or Wage Bracket Methods, you can use an alternative method to withhold income tax. See page 25 for more information.

Whole-Dollar Withholding (Rounding)

The income tax withholding amounts in the wage bracket tables (pages 5-24) have been rounded to whole-dollar amounts.

When employers use the percentage method (pages 3-4) or an alternative method of income tax withholding, the tax for the pay period may be rounded to the nearest dollar.

Tables for Percentage Method of Withholding
(For Wages Paid in July–Dec 2001)

TABLE 1—WEEKLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$51		\$0	
Over—	But not over—	of excess over—	
\$51	—\$552	15%	—51
\$552	—\$1,196	\$75.15 plus 27%	—552
\$1,196	—\$2,662	\$249.03 plus 30%	—1,196
\$2,662	—\$5,750	\$688.83 plus 35%	—2,662
\$5,750	. . . . .	\$1,769.63 plus 38.6%	—5,750

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$124		\$0	
Over—	But not over—	of excess over—	
\$124	—\$960	15%	—\$124
\$960	—\$2,023	\$125.40 plus 27%	—\$960
\$2,023	—\$3,292	\$412.41 plus 30%	—\$2,023
\$3,292	—\$5,809	\$793.11 plus 35%	—\$3,292
\$5,809	. . . . .	\$1,674.06 plus 38.6%	—\$5,809

TABLE 2—BIWEEKLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$102		\$0	
Over—	But not over—	of excess over—	
\$102	—\$1,104	15%	—\$102
\$1,104	—\$2,392	\$150.30 plus 27%	—\$1,104
\$2,392	—\$5,323	\$498.06 plus 30%	—\$2,392
\$5,323	—\$11,500	\$1,377.36 plus 35%	—\$5,323
\$11,500	. . . . .	\$3,539.31 plus 38.6%	—\$11,500

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$248		\$0	
Over—	But not over—	of excess over—	
\$248	—\$1,919	15%	—\$248
\$1,919	—\$4,046	\$250.65 plus 27%	—\$1,919
\$4,046	—\$6,585	\$824.94 plus 30%	—\$4,046
\$6,585	—\$11,617	\$1,586.64 plus 35%	—\$6,585
\$11,617	. . . . .	\$3,347.84 plus 38.6%	—\$11,617

TABLE 3—SEMIMONTHLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$110		\$0	
Over—	But not over—	of excess over—	
\$110	—\$1,196	15%	—\$110
\$1,196	—\$2,592	\$162.90 plus 27%	—\$1,196
\$2,592	—\$5,767	\$539.82 plus 30%	—\$2,592
\$5,767	—\$12,458	\$1,492.32 plus 35%	—\$5,767
\$12,458	. . . . .	\$3,834.17 plus 38.6%	—\$12,458

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$269		\$0	
Over—	But not over—	of excess over—	
\$269	—\$2,079	15%	—\$269
\$2,079	—\$4,383	\$271.50 plus 27%	—\$2,079
\$4,383	—\$7,133	\$893.58 plus 30%	—\$4,383
\$7,133	—\$12,585	\$1,718.58 plus 35%	—\$7,133
\$12,585	. . . . .	\$3,626.78 plus 38.6%	—\$12,585

TABLE 4—MONTHLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$221		\$0	
Over—	But not over—	of excess over—	
\$221	—\$2,392	15%	—\$221
\$2,392	—\$5,183	\$325.65 plus 27%	—\$2,392
\$5,183	—\$11,533	\$1,079.22 plus 30%	—\$5,183
\$11,533	—\$24,917	\$2,984.22 plus 35%	—\$11,533
\$24,917	. . . . .	\$7,668.62 plus 38.6%	—\$24,917

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$538		\$0	
Over—	But not over—	of excess over—	
\$538	—\$4,158	15%	—\$538
\$4,158	—\$8,767	\$543.00 plus 27%	—\$4,158
\$8,767	—\$14,267	\$1,787.43 plus 30%	—\$8,767
\$14,267	—\$25,171	\$3,437.43 plus 35%	—\$14,267
\$25,171	. . . . .	\$7,253.83 plus 38.6%	—\$25,171

Tables for Percentage Method of Withholding (Continued)

(For Wages Paid in July-Dec 2001)

TABLE 5—QUARTERLY Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$663		\$0	
Over—	But not over—	of excess over—	
\$663	—\$7,175.	15%	—\$663
\$7,175	—\$15,550.	\$976.80 plus 27%	—\$7,175
\$15,550	—\$34,600.	\$3,238.05 plus 30%	—\$15,550
\$34,600	—\$74,750.	\$8,953.05 plus 35%	—\$34,600
\$74,750	. . . . .	\$23,005.55 plus 38.6%	—\$74,750

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$1,613		\$0	
Over—	But not over—	of excess over—	
\$1,613	—\$12,475.	15%	—\$1,613
\$12,475	—\$26,300.	\$1,629.30 plus 27%	—\$12,475
\$26,300	—\$42,800.	\$5,362.05 plus 30%	—\$26,300
\$42,800	—\$75,513.	\$10,312.05 plus 35%	—\$42,800
\$75,513	. . . . .	\$21,761.60 plus 38.6%	—\$75,513

TABLE 6—SEMIANNUAL Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$1,325		\$0	
Over—	But not over—	of excess over—	
\$1,325	—\$14,350.	15%	—\$1,325
\$14,350	—\$31,100.	\$1,953.75 plus 27%	—\$14,350
\$31,100	—\$69,200.	\$6,476.25 plus 30%	—\$31,100
\$69,200	—\$149,500.	\$17,906.25 plus 35%	—\$69,200
\$149,500	. . . . .	\$46,011.25 plus 38.6%	—\$149,500

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$3,225		\$0	
Over—	But not over—	of excess over—	
\$3,225	—\$24,950.	15%	—\$3,225
\$24,950	—\$52,600.	\$3,258.75 plus 27%	—\$24,950
\$52,600	—\$85,600.	\$10,724.25 plus 30%	—\$52,600
\$85,600	—\$151,025.	\$20,624.25 plus 35%	—\$85,600
\$151,025	. . . . .	\$43,523.00 plus 38.6%	—\$151,025

TABLE 7—ANNUAL Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$2,650		\$0	
Over—	But not over—	of excess over—	
\$2,650	—\$28,700.	15%	—\$2,650
\$28,700	—\$62,200.	\$3,907.50 plus 27%	—\$28,700
\$62,200	—\$138,400.	\$12,952.50 plus 30%	—\$62,200
\$138,400	—\$299,000.	\$35,812.50 plus 35%	—\$138,400
\$299,000	. . . . .	\$92,022.50 plus 38.6%	—\$299,000

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) is:		The amount of income tax to withhold is:	
Not over \$6,450		\$0	
Over—	But not over—	of excess over—	
\$6,450	—\$49,900.	15%	—\$6,450
\$49,900	—\$105,200.	\$6,517.50 plus 27%	—\$49,900
\$105,200	—\$171,200.	\$21,448.50 plus 30%	—\$105,200
\$171,200	—\$302,050.	\$41,248.50 plus 35%	—\$171,200
\$302,050	. . . . .	\$87,046.00 plus 38.6%	—\$302,050

TABLE 8—DAILY or MISCELLANEOUS Payroll Period

(a) SINGLE person (including head of household)—

If the amount of wages (after subtracting withholding allowances) divided by the number of days in the payroll period is:		The amount of income tax to withhold per day is:	
Not over \$10.20		\$0	
Over—	But not over—	of excess over—	
\$10.20	—\$110.40.	15%	—\$10.20
\$110.40	—\$239.20.	\$15.03 plus 27%	—\$110.40
\$239.20	—\$532.30.	\$49.81 plus 30%	—\$239.20
\$532.30	—\$1,150.00.	\$137.74 plus 35%	—\$532.30
\$1,150.00	. . . . .	\$353.94 plus 38.6%	—\$1,150.00

(b) MARRIED person—

If the amount of wages (after subtracting withholding allowances) divided by the number of days in the payroll period is:		The amount of income tax to withhold per day is:	
Not over \$24.80		\$0	
Over—	But not over—	of excess over—	
\$24.80	—\$191.90.	15%	—\$24.80
\$191.90	—\$404.60.	\$25.07 plus 27%	—\$191.90
\$404.60	—\$658.50.	\$82.50 plus 30%	—\$404.60
\$658.50	—\$1,161.70.	\$158.67 plus 35%	—\$658.50
\$1,161.70	. . . . .	\$334.79 plus 38.6%	—\$1,161.70

Notice to Employees

Changes in Income Tax Withholding Effective July 1, 2001

New withholding tables may reduce the amount of income tax withheld from your wages paid after June 30, 2001.

The reductions in tax withholding are due to reduction in the current 28% and higher tax brackets effective July 1, 2001.

The new tables, prescribed by the Department of the Treasury, reflect a change resulting from the Economic Growth and Tax Relief Reconciliation Act of 2001.

If you do not want to have your withholding reduced, you may want to file a new **Form W-4**, Employee's Withholding Allowance Certificate, with your employer. You may claim fewer withholding allowances on line 5 or request additional amounts to be withheld on line 6.